

PARETO BANK

Financial Results – Third Quarter 2024

Highlights

Financials

Business Area Update & Outlook

THIRD QUARTER 2024

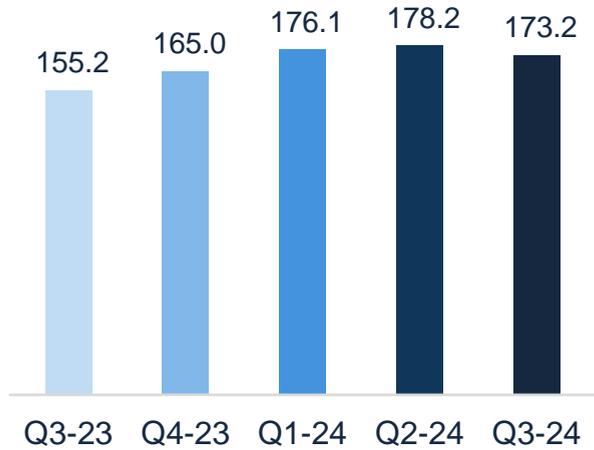
Highlights

- Profit after tax NOK 173.2m (NOK 155.2m in Q3-23).
- Return on equity after tax 13.7% (13.9%).
- Net interest income up to NOK 313.1m (NOK 281.3m).
- Lending at the end of quarter stood at NOK 19,419m (NOK 18,260m). Average lending was up 2% quarter-on-quarter.
- Swedish branch up and running with two employees transferred from our Oslo office.
- Total impairments of NOK 30.9m (NOK 30.3m), primarily linked to a small number of residential property development projects that have been affected by cost inflation, unsold units and higher financing costs.

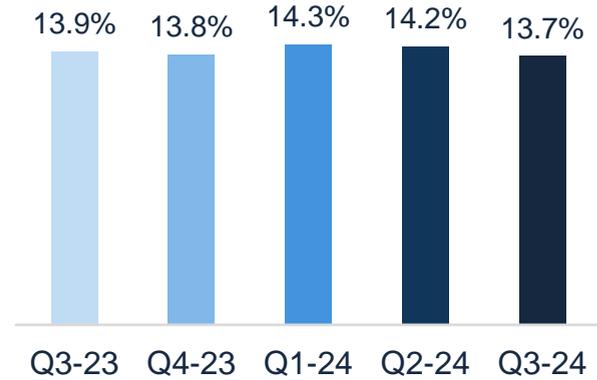


KEY FIGURES

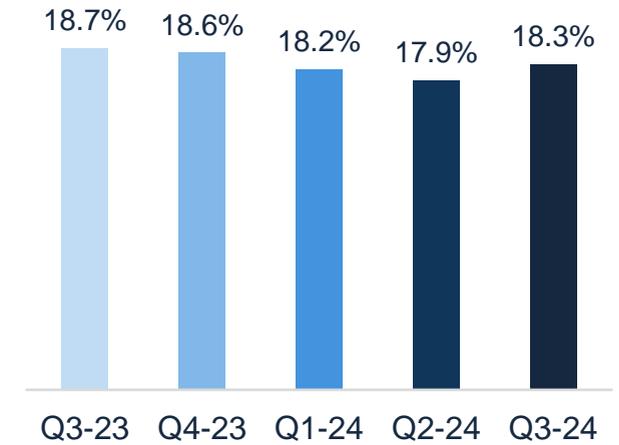
Profit after tax (NOKm)



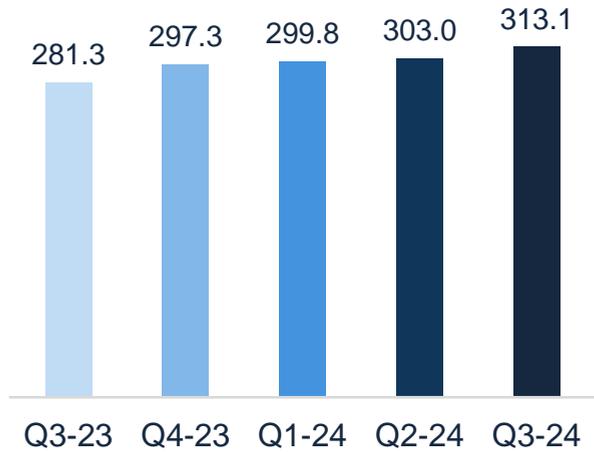
Return on Equity *



CET1 ratio



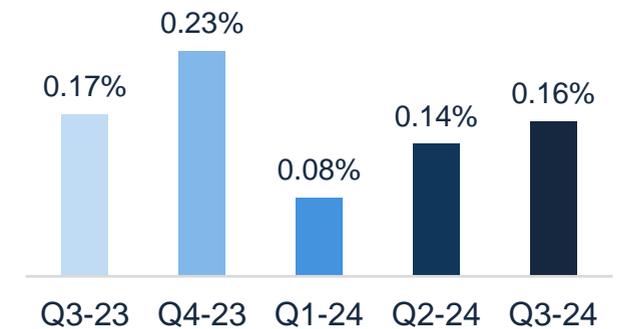
Net interest income (NOKm)



Cost/Income ratio



Loss ratio **



*) Return to shareholders after AT1 interest costs.
**) Quarterly impairments over average net loans.

Highlights

Financials

Business Area Update & Outlook

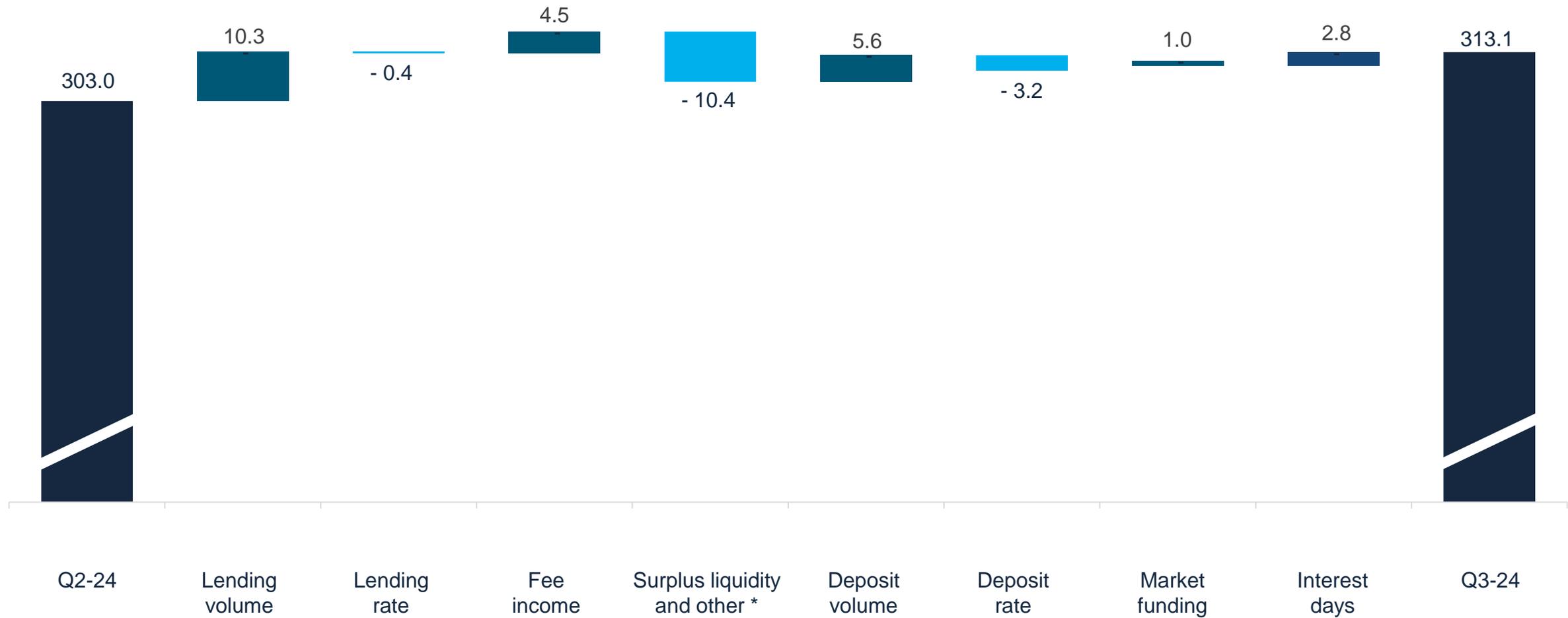
INCOME STATEMENT

P&L (NOKm)

	Q3-24	Q3-23	YTD-24	YTD-23
Net interest income	313.1	281.3	915.8	815.3
Net other operating income	2.1	3.0	17.0	-5.3
Total net income	315.1	284.3	932.8	810.0
Total operating expenses	57.7	50.4	169.9	152.4
Operating profit before impairments and losses	257.4	233.9	763.2	657.6
Impairments and losses on loans and guarantees	30.9	30.3	72.2	79.6
Pre-tax operating profit	226.5	203.6	691.0	578.0
Tax expense	53.3	48.4	163.5	137.5
Profit for the period	173.2	155.2	527.5	440.5
Earnings per share (NOK)	2.08	1.89	6.39	5.37

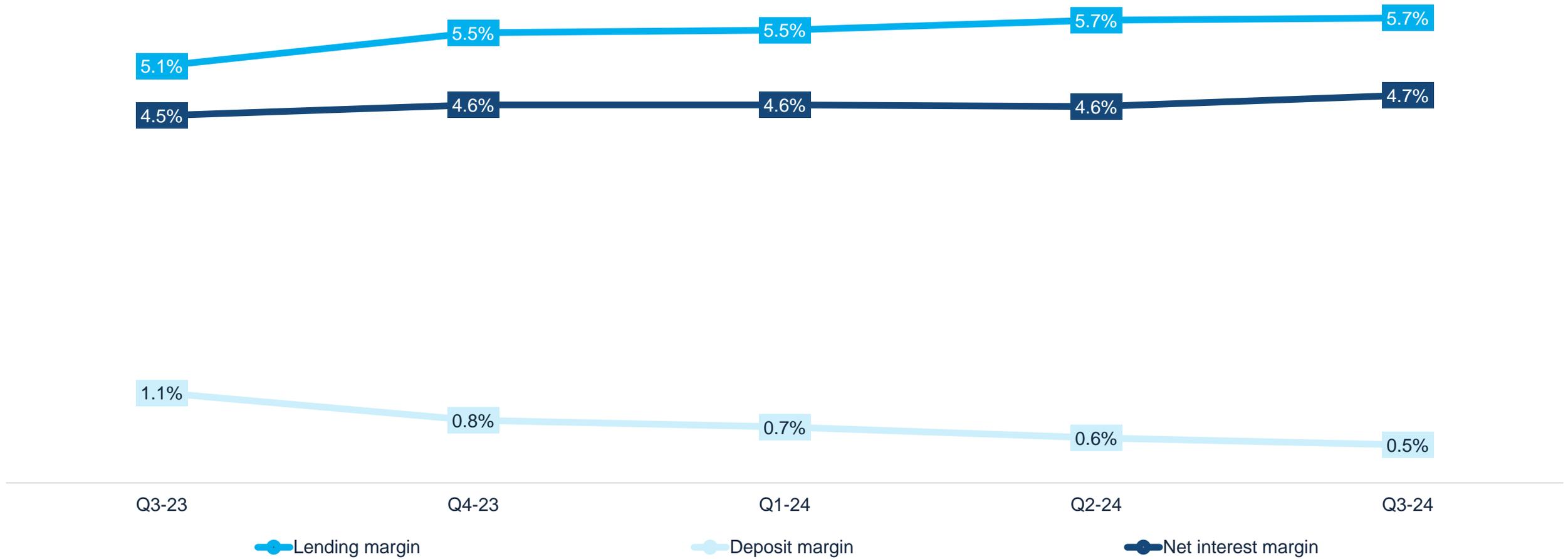
- Interest income increased with higher average lending volumes. Margins fairly stable quarter-on-quarter.
- NOK 0.9m of fair value losses (neg. NOK 1.5m).
- Continued strong operational efficiency with cost/income ratio of 18.3%, slightly up from Q2-24 on an increased number of employees and increased IT spend.
- NOK 30.9m of loan loss provisions, including NOK 0.9m of write-offs.

CHANGE IN QUARTERLY NET INTEREST INCOME (NOKm)



INTEREST MARGINS

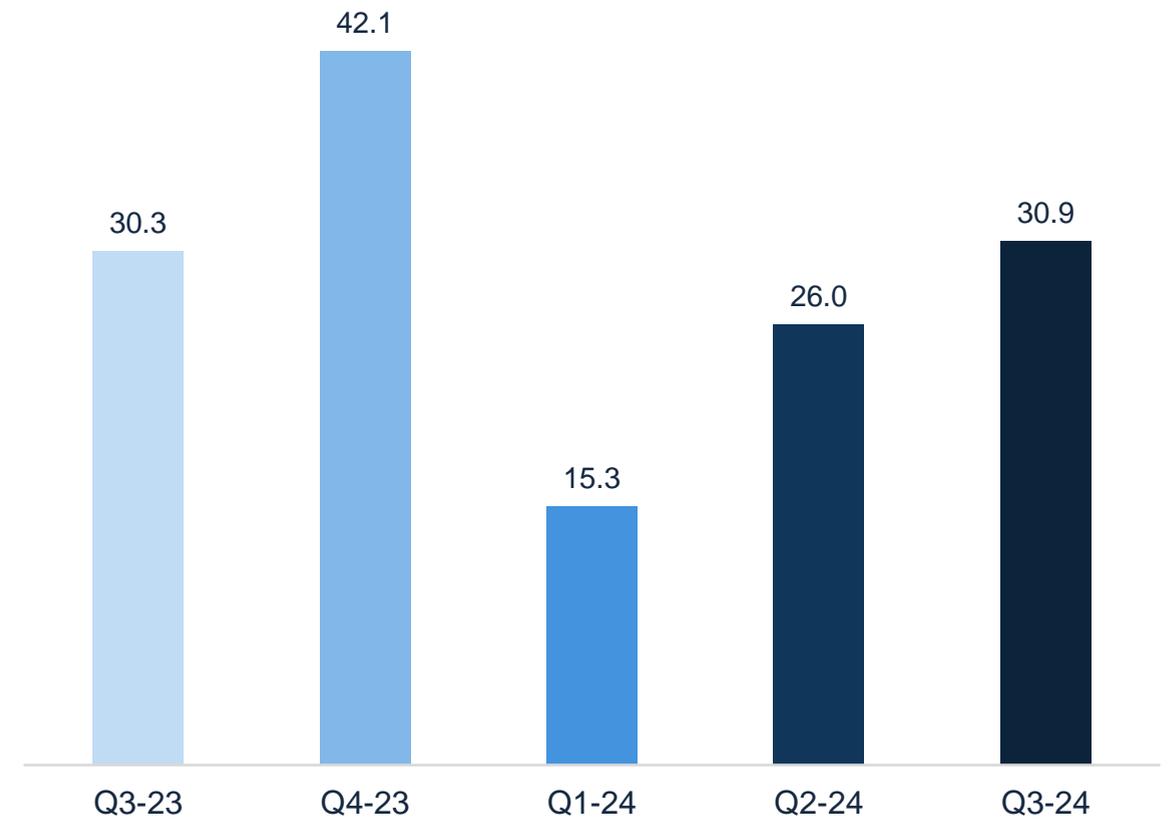
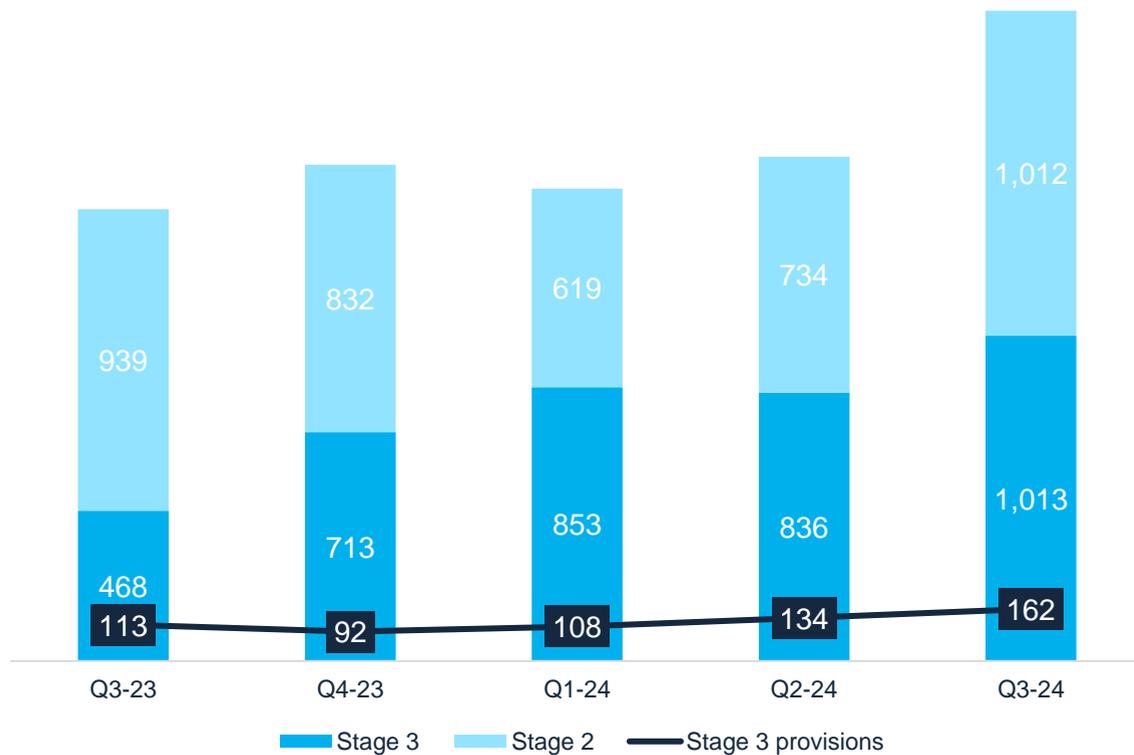
Lending and deposit margin



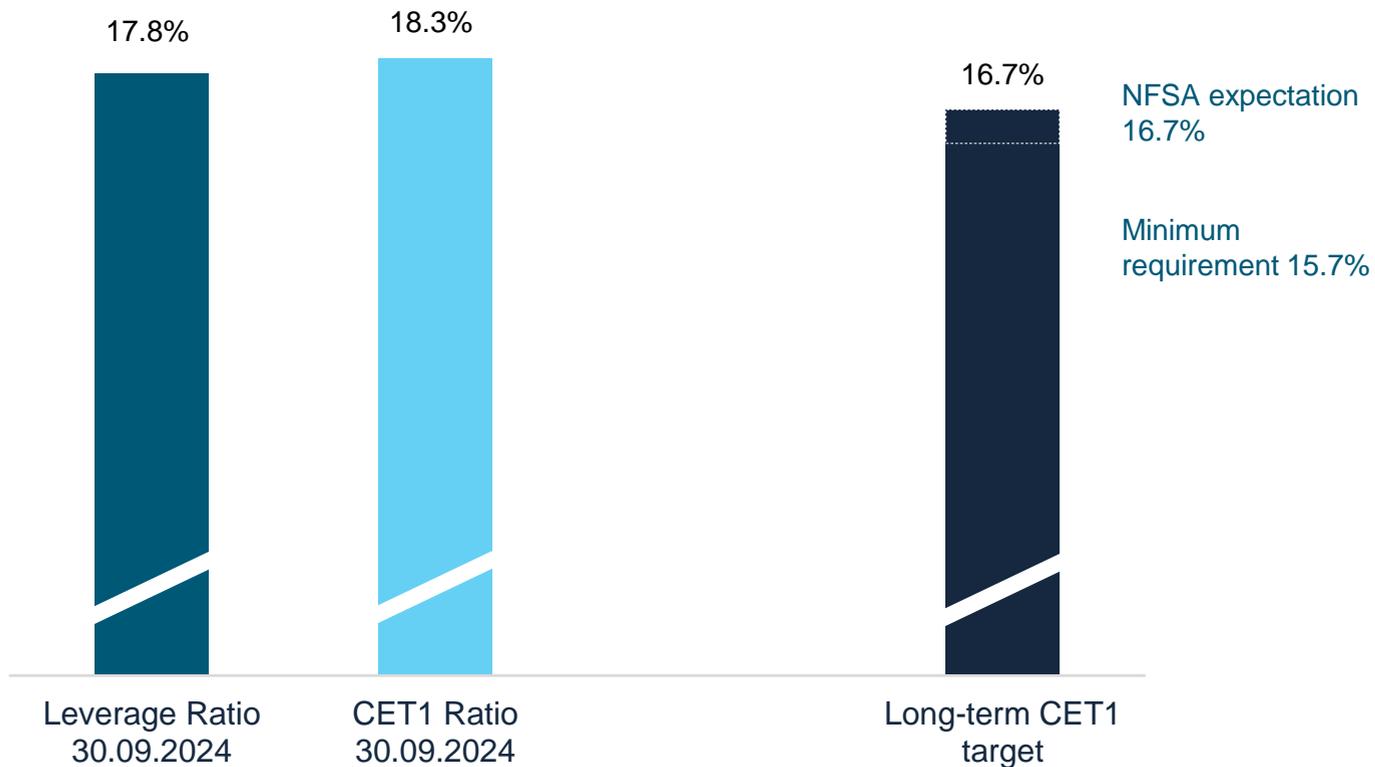
QUARTERLY CHANGE IN STAGE 2, 3 AND IMPAIRMENTS

Stage 2 and 3 and provisions for stage 3 lending (NOKm)

Impairments and losses on loans and guarantees (NOKm)



SOLIDITY AND CAPITAL REQUIREMENTS



- Long-term CET1 target 16.7%, in line with the NFSA expectation.
- Pareto Bank will hold a buffer above this target.
- The impact of CRR3 is still uncertain: Lower capital requirements for operational risk and homes for rent, but higher requirements for loan commitments and lending to residential property development.

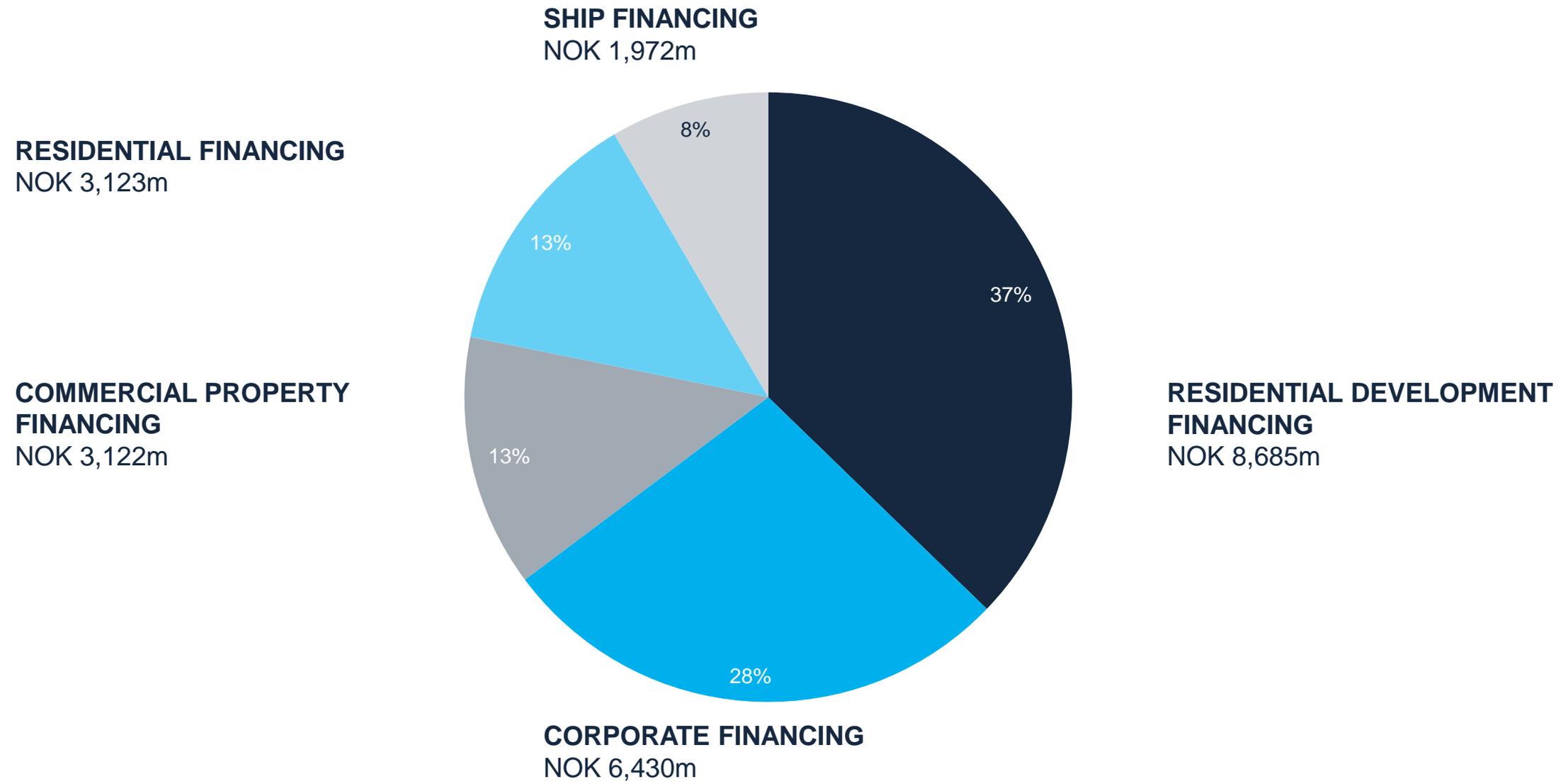
Highlights

Financials

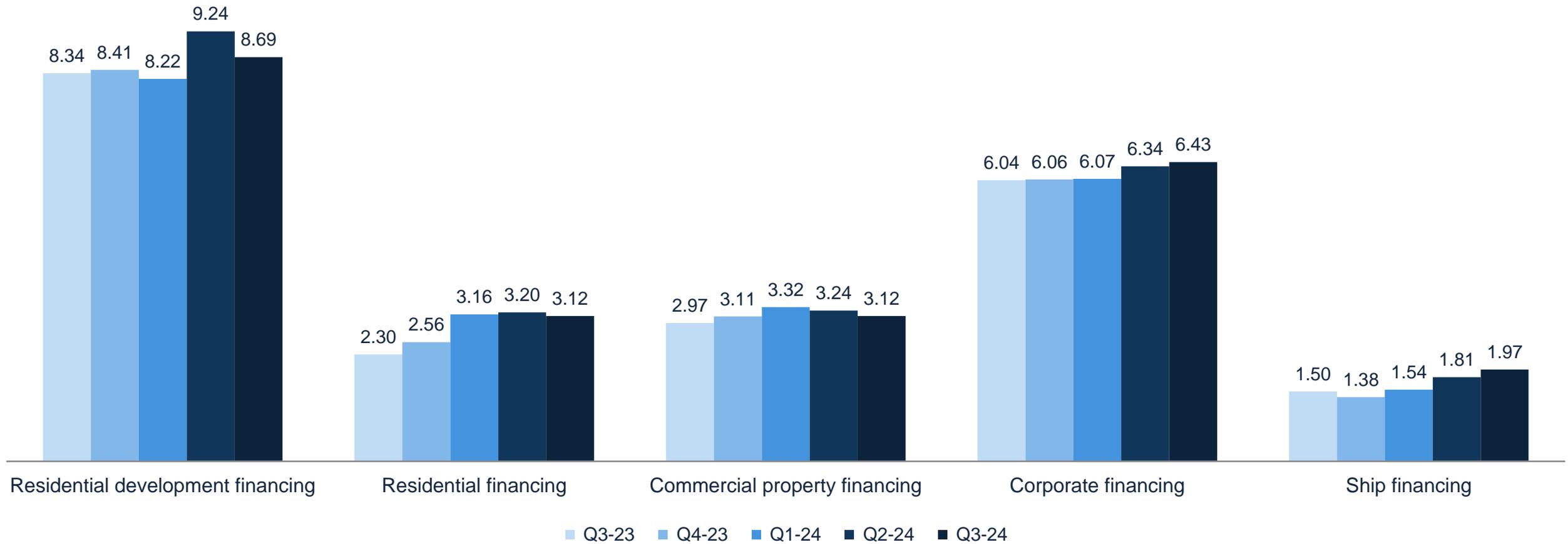
Business Area Update & Outlook

A NICHE PLAYER FINANCING MEDIUM-SIZED ENTERPRISES

Exposure (NOKm)



QUARTERLY EXPOSURE PER BUSINESS AREA (NOKbn)



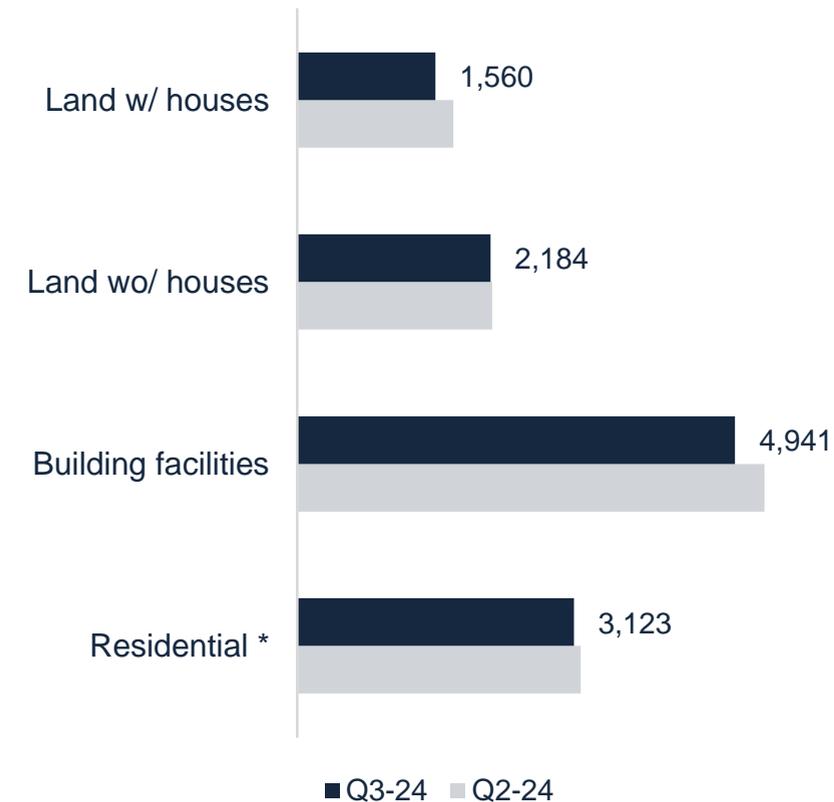
RESIDENTIAL PROPERTY FINANCING

RELATIVELY UNCHANGED VOLUM EXPECTED IN Q4-24.

- Good deal flow of attractive customers and projects in Q3-24. Project completions and loan redemptions had effect on growth, and will continue to impact Q4-24 growth.
- Continue to see high contractor risk due to inflation and lower construction activity.
- Low development activity with few residential starts persists.
- A selective newbuild market. Recovery will come with lower interest rates, supported by a soft landing, low unemployment and population growth.

Residential property exposure (NOKm)

Total NOK 11,809m



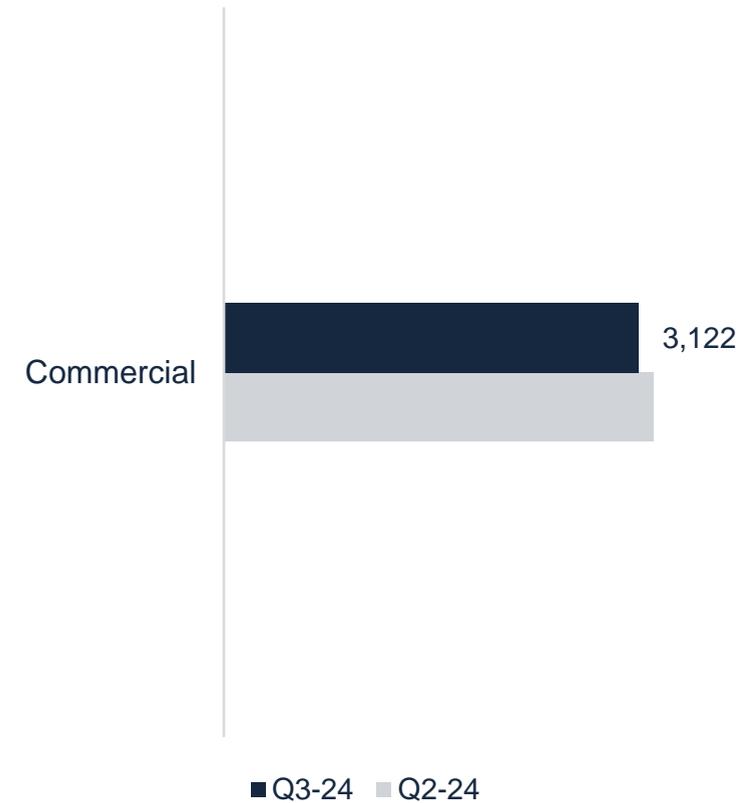
COMMERCIAL PROPERTY FINANCING

Commercial property exposure (NOKm)

Total NOK 3,122m

FLAT LENDING VOLUME EXPECTED FOR Q4-24.

- Continued low risk appetite and financing demand.
- Commercial property prices have stabilized.
- Transaction activity is slowly picking up given prospects of interest rates cut and a soft landing.

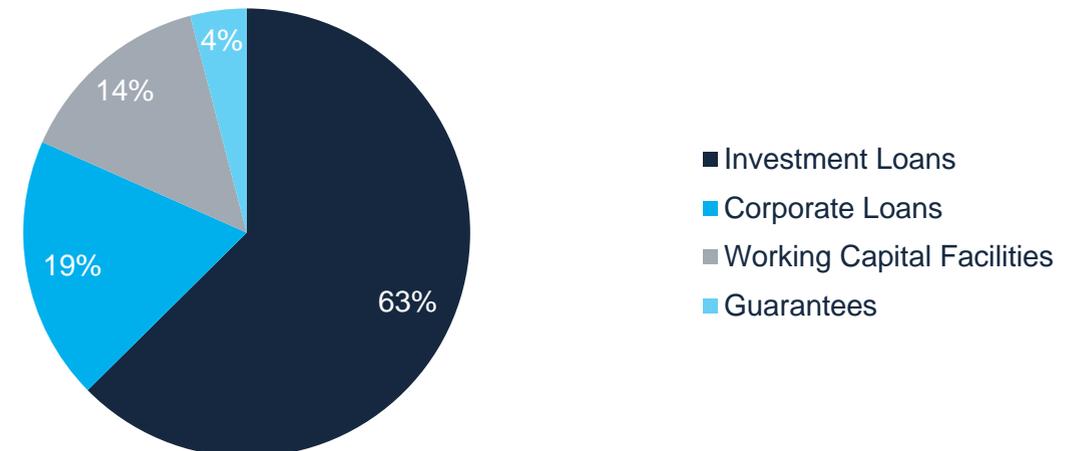
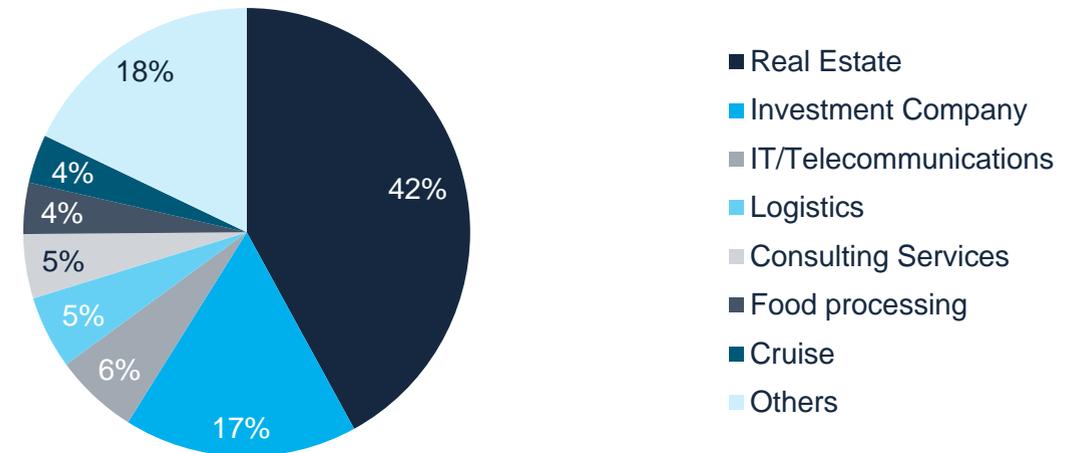


CORPORATE FINANCING

STRONGER GROWTH EXPECTED IN Q4-24.

- High activity in Q3-24 increases volume in the quarter and expectations for the next.
- Pareto Bank is an attractive partner for medium-sized businesses and sees good long-term growth prospects. Customers are met with a specialized and customer-driven team.
- A selective credit practice is applied to meet continued differences in activity and profitability across industries.

Corporate exposure (NOKm) Total NOK 6,430m (Q2-24: NOK 6,338m)



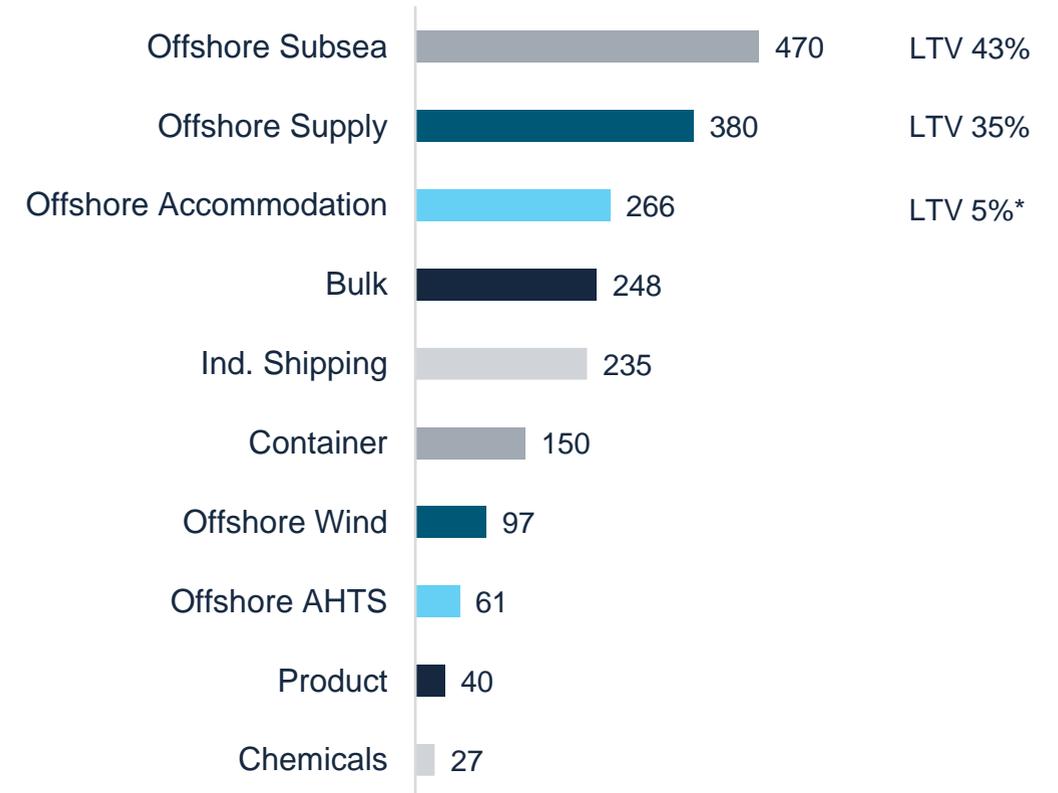
SHIP FINANCING

FLAT LENDING VOLUME EXPECTED FOR Q4-24.

- Continued activity and financing demand within offshore. Subdued demand in shipping. Steep repayment profiles on loans affect net lending growth.
- Good market balance with robust demand outlook and low order books in offshore. Weaker oil prices may lead to reduced demand for subsea and supply vessels.
- Healthy outlook for the dry bulk market due to low supply growth. Uncertainty on demand side as Chinese growth and global economic growth soften.
- Strong tanker markets backed by end-user demand and longer trading distances. Supply growth may put pressure on rates.
- Fleet growth is a threat to the balance in the container market. A reversal of the Red Sea disruption will most likely lead to a drop in rates.

Shipping exposure (NOKm)

Total NOK 1,972m (Q2-24: NOK 1,808m)

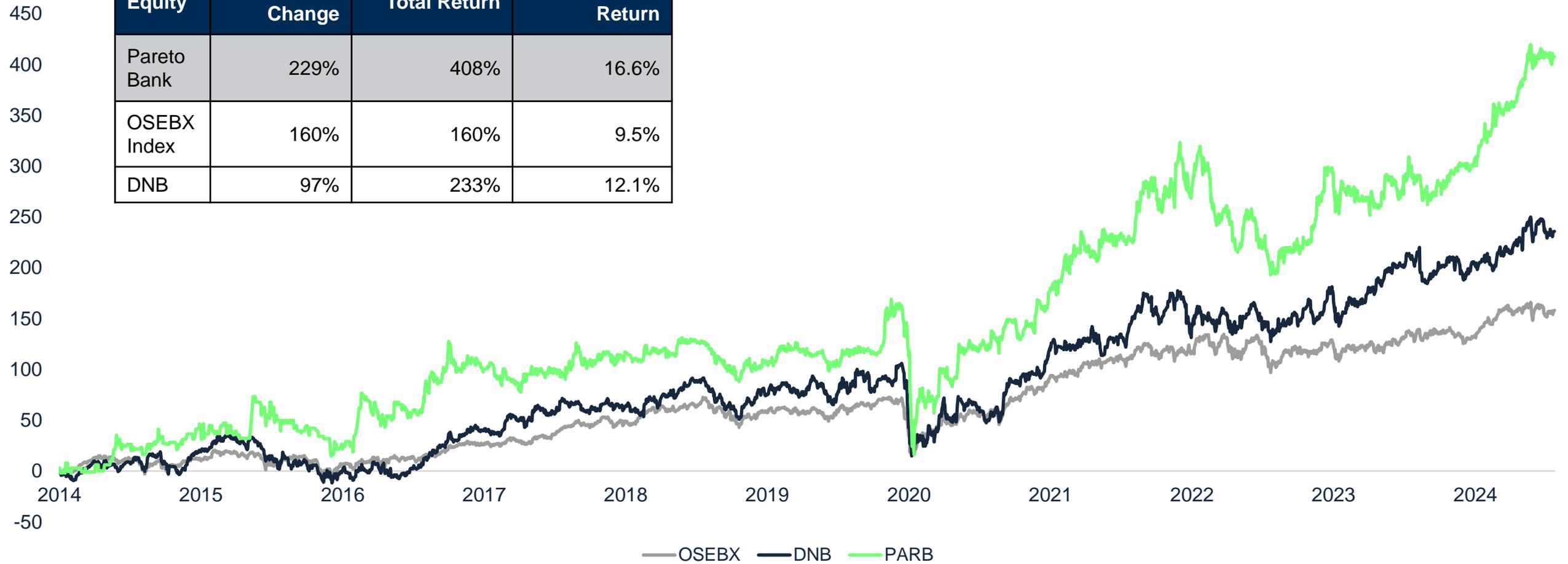


*) Offshore Accommodation credit exposure : Revolving credit facility.

***) Excluding the Offshore Accommodation revolving credit facility with very low LTV.

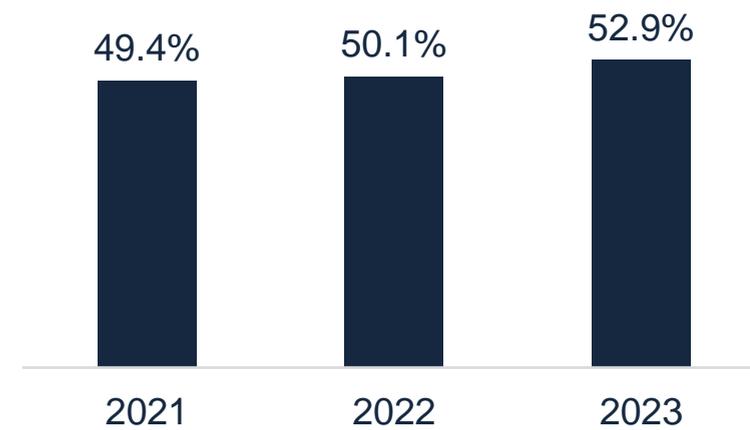
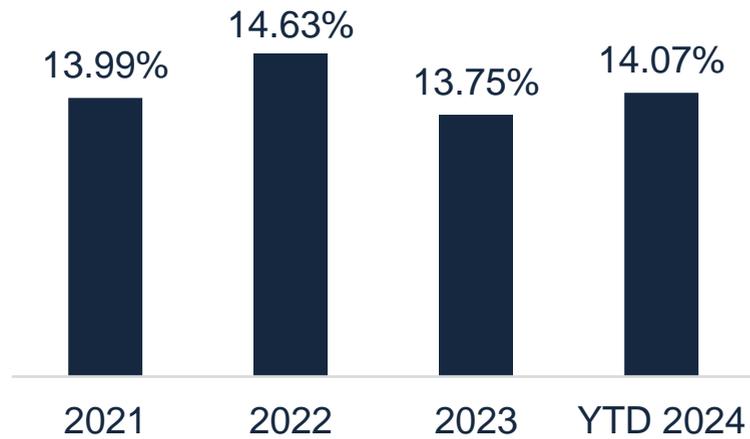
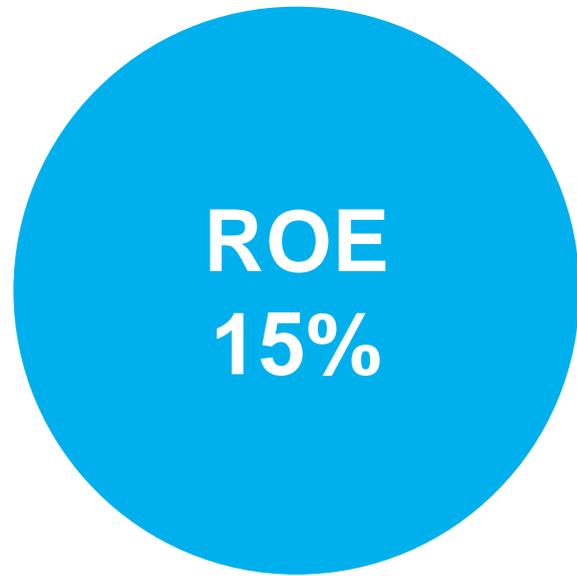
TOTAL RETURN

Equity	Price Change	Total Return	Annual Return
Pareto Bank	229%	408%	16.6%
OSEBX Index	160%	160%	9.5%
DNB	97%	233%	12.1%



APPENDIX

LONG-TERM AMBITIONS



LARGEST SHAREHOLDERS

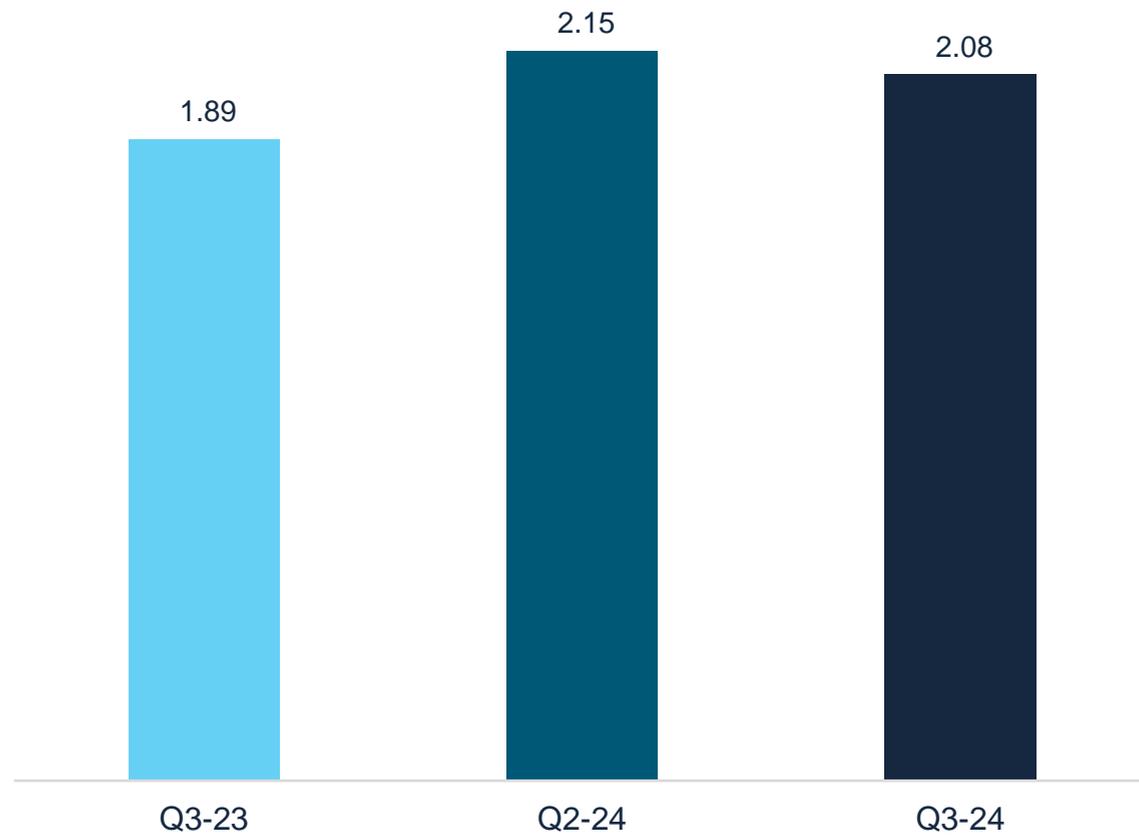
30 September 2024

	Name	Shares	% Total
1	Pareto AS	15,356,484	20.00%
2	Société Générale	6,943,049	9.04%
3	AWC AS	4,712,451	6.14%
4	Hjellegjerde Invest AS	3,803,301	4.95%
5	Salt value AS	2,389,484	3.11%
6	Verdipapirfondet Holberg Norge	2,227,309	2.90%
7	Landkreditt Utbytte	2,077,835	2.71%
8	Rune Bentsen AS	2,074,377	2.70%
9	Kolberg Motors AS	1,938,942	2.53%
10	Dragesund Invest AS	1,257,327	1.64%
11	OM Holding AS	1,251,512	1.63%
12	Catilina Invest AS	1,134,950	1.48%
13	AS Audley	929,252	1.21%
14	Stenshagen Invest AS	906,526	1.18%
15	Lombard Int Assurance S.A.	900,820	1.17%
16	K11 Investor AS	750,000	0.98%
17	Profond AS	732,825	0.95%
18	Verdipapirfondet Fondsfinans Norge	725,000	0.94%
19	Castel AS	708,684	0.92%
20	Skandinaviska Enskilda Banken AB	688,889	0.90%
	Sum TOP 20	51,509,017	67.08%
	Other shareholders	25,273,406	32.92%
	Total	76,782,423	100.00%

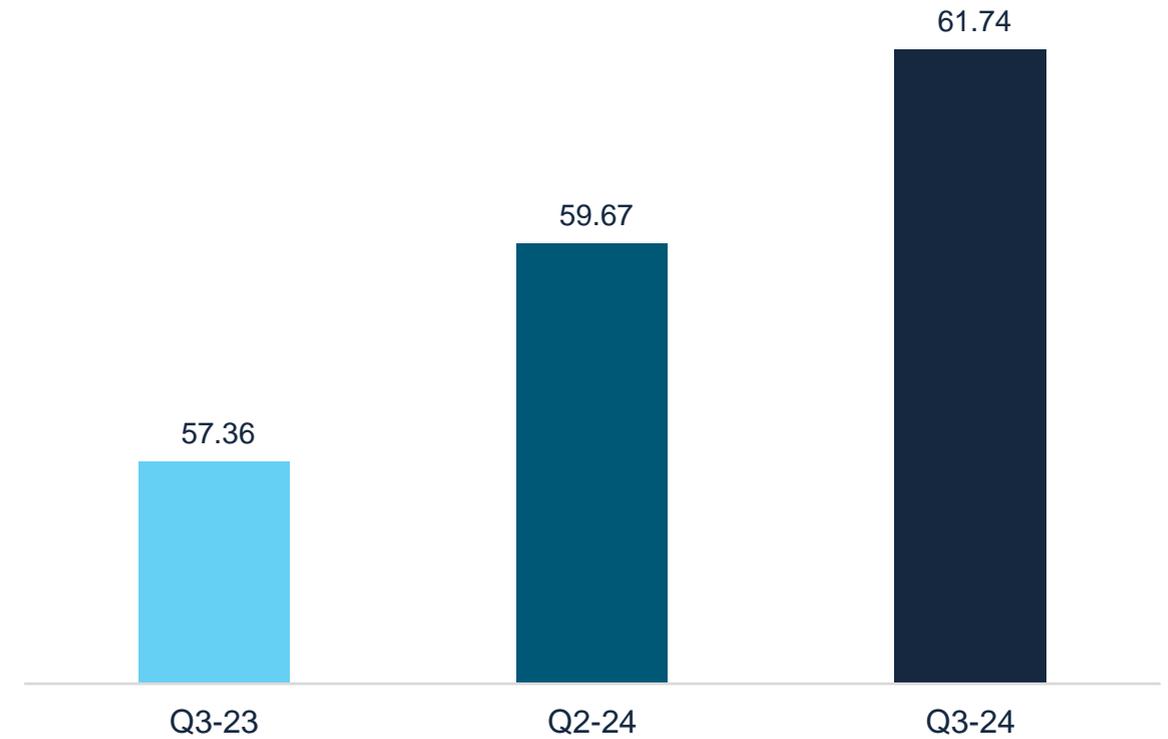
- The Company has 76,782,423 shares outstanding. One class of shares where each share carries one voting right.
- Diversified investor base with 3,658 shareholders.
- The Top 10 and 20 investors hold 56% and 67% of the shares respectively.
- Employees in Pareto Bank own 1.6%.
- Top management and owners in the Pareto Group own 3.1%.
- All employees are covered by an annual bonus compensation scheme settled 50% in Pareto Bank shares.

THE SHARE

Earnings per share (NOK)



Book value per share (NOK)



QUARTERLY INCOME STATEMENT

P&L (NOKm)

	Q3-24	Q2-24	Q1-24	Q4-23	Q3-23
Net interest income	313.1	303.0	299.8	297.3	281.3
Net other operating income	2.1	12.5	2.4	12.1	3.0
Total net income	315.1	315.5	302.2	309.4	284.3
Total operating expenses	57.7	56.3	55.6	51.1	50.4
Operating profit before impairments and losses	257.4	259.3	246.6	258.3	233.9
Impairments and losses on loans and guarantees	30.9	26.0	15.3	42.1	30.3
Pre-tax operating profit	226.5	233.2	231.3	216.2	203.6
Tax expense	53.3	55.1	55.2	51.2	48.4
Profit for the period	173.2	178.2	176.1	165.0	155.2
Earnings per share (NOK)	2.08	2.15	2.15	2.01	1.89
Return on equity	13.7%	14.2%	14.3%	13.8%	13.9%
Cost/income ratio	18.3%	17.8%	18.4%	16.5%	17.7%

QUARTERLY BALANCE SHEET

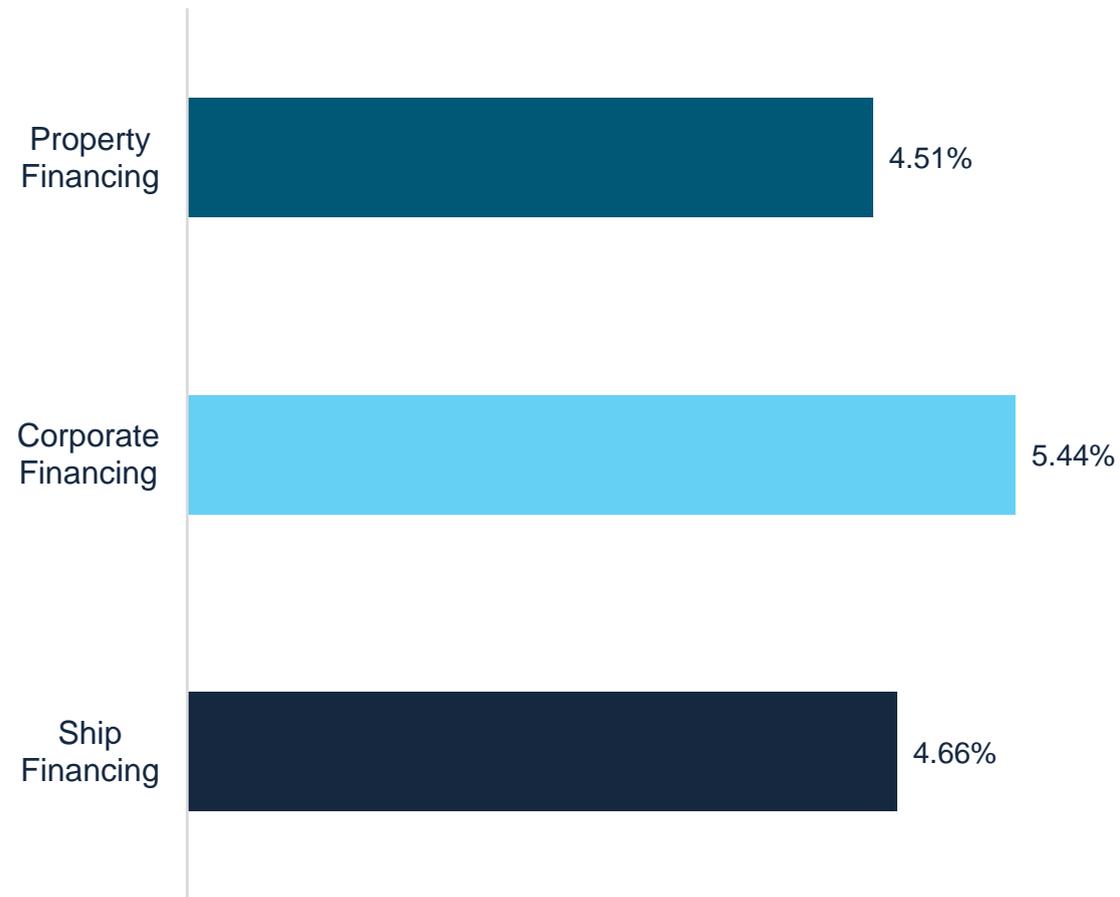
(NOKm)

	Q3-24	Q2-24	Q1-24	Q4-23	Q3-23
Loans to credit institutions	1,930	1,432	1,174	1,651	2,498
Loans to customers	19,419	19,585	18,928	18,518	18,260
Bonds and other securities	4,240	5,331	5,923	5,422	4,245
Shareholdings in associated companies	22	22	22	22	23
Other assets	217	213	172	234	164
Total assets	25,829	26,583	26,219	25,847	25,189
Deposits from customers and institutions	12,116	13,046	12,392	12,023	11,481
Senior securities issued	7,284	7,366	7,570	7,756	7,718
Other liabilities	438	339	391	363	437
Tier 2 subordinated securities issued	700	700	699	699	699
Additional tier 1 capital	550	550	450	450	450
Other equity	4,740	4,582	4,717	4,555	4,404
Total liabilities and equity	25,829	26,583	26,219	25,847	25,189

MARGINS AND INTEREST CONTRIBUTION

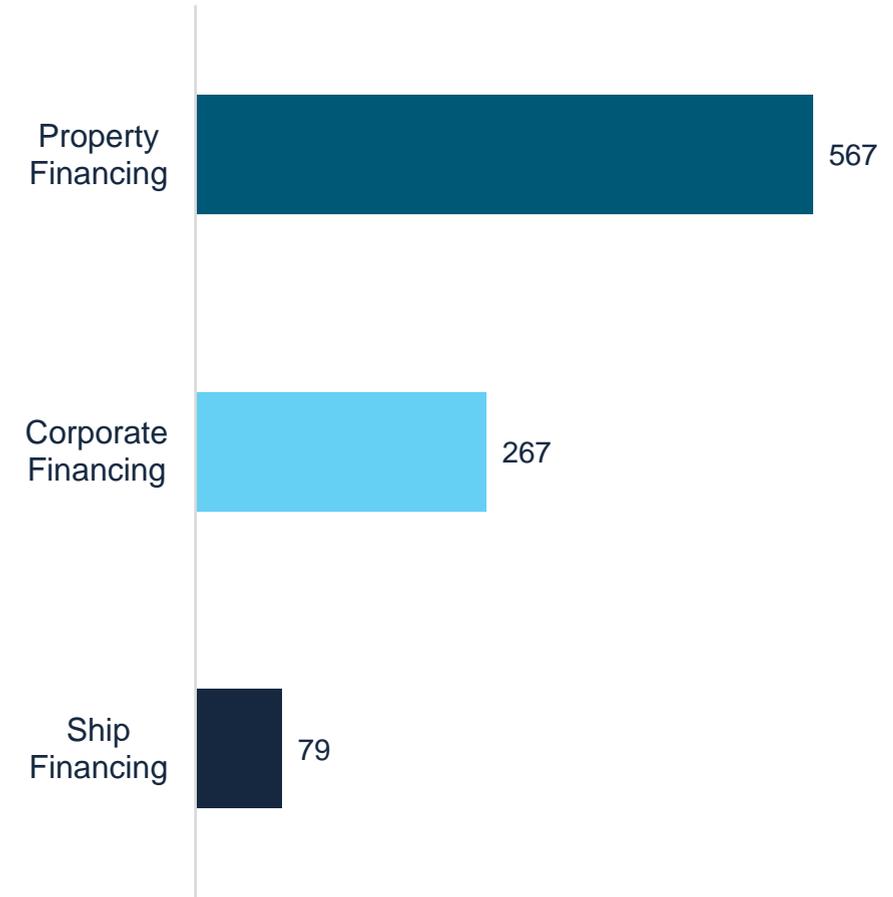
Margins per business area

Estimated annualized margins including commissions, excluding front and back-end fees over 3M Nibor or similar rate.



Interest contribution per business area

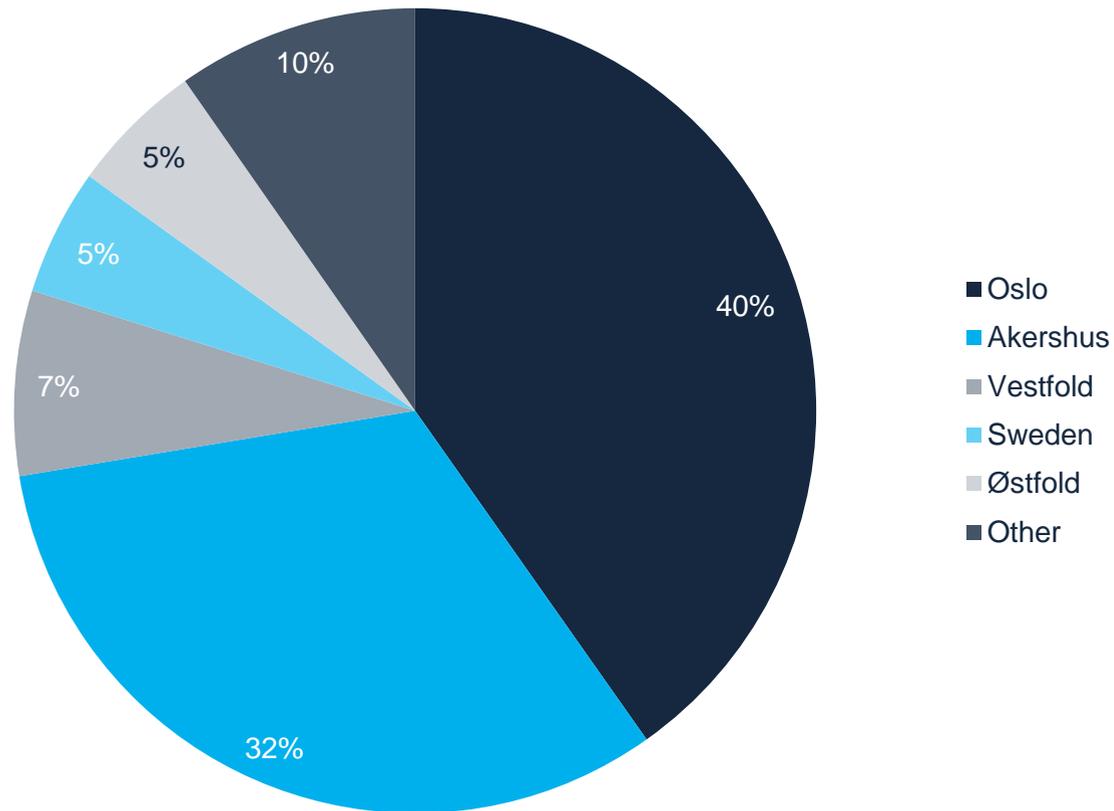
NOKm, estimated interest contribution including commissions, excluding front and back-end fees over 3M Nibor or similar rate.



REAL ESTATE FINANCING EXPOSURE

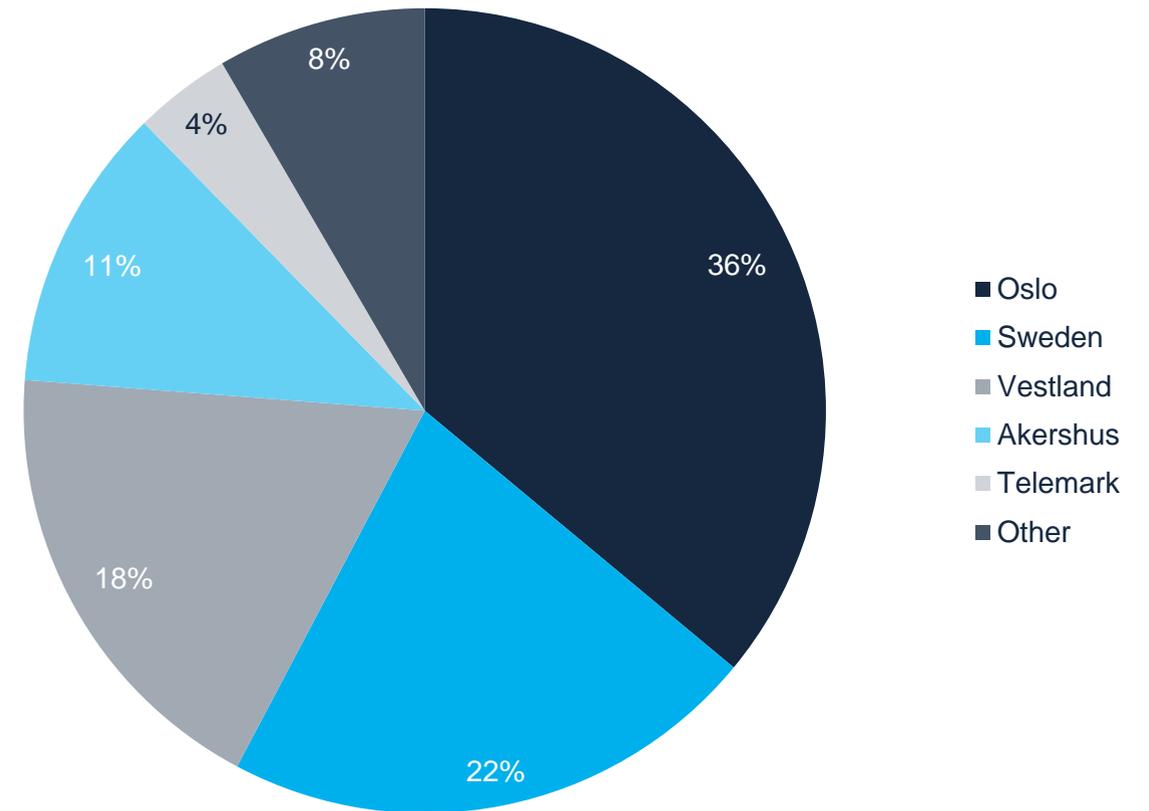
Geographical residential property exposure

Total NOK 11,809m*



Geographical commercial property exposure

Total NOK 3,122m*



BRANCH ESTABLISHED IN SWEDEN

Solid track record and market rationale

- Ten years of experience in financing real estate projects for both Norwegian and Swedish customers in Sweden. Large network of clients and partners established.
- Attractive niche of medium-sized customers. The four dominant Swedish banks finance larger customers. Some smaller institutions service SME's, but none are specialized on tailor-made financing within real estate.
- Favourable risk/reward with attractive LTV's and high lending margins and fees.
- Strict credit parameters and strong underwriting standards.
- ROE above ambition of 15%.

Long-term goal

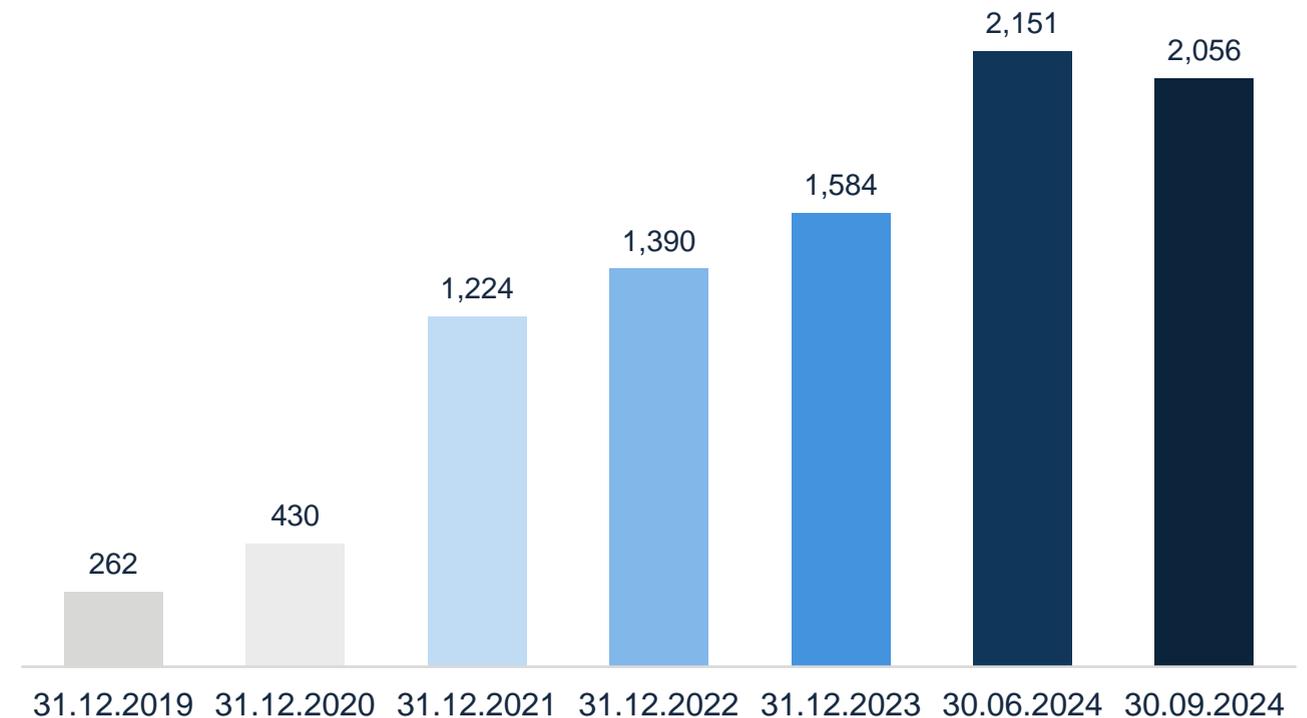
- To build a diversified, robust and profitable loan portfolio in Sweden.

Branch establishment

- Swedish branch up and running in Q3-24, initially staffed with two employees from the Oslo office.

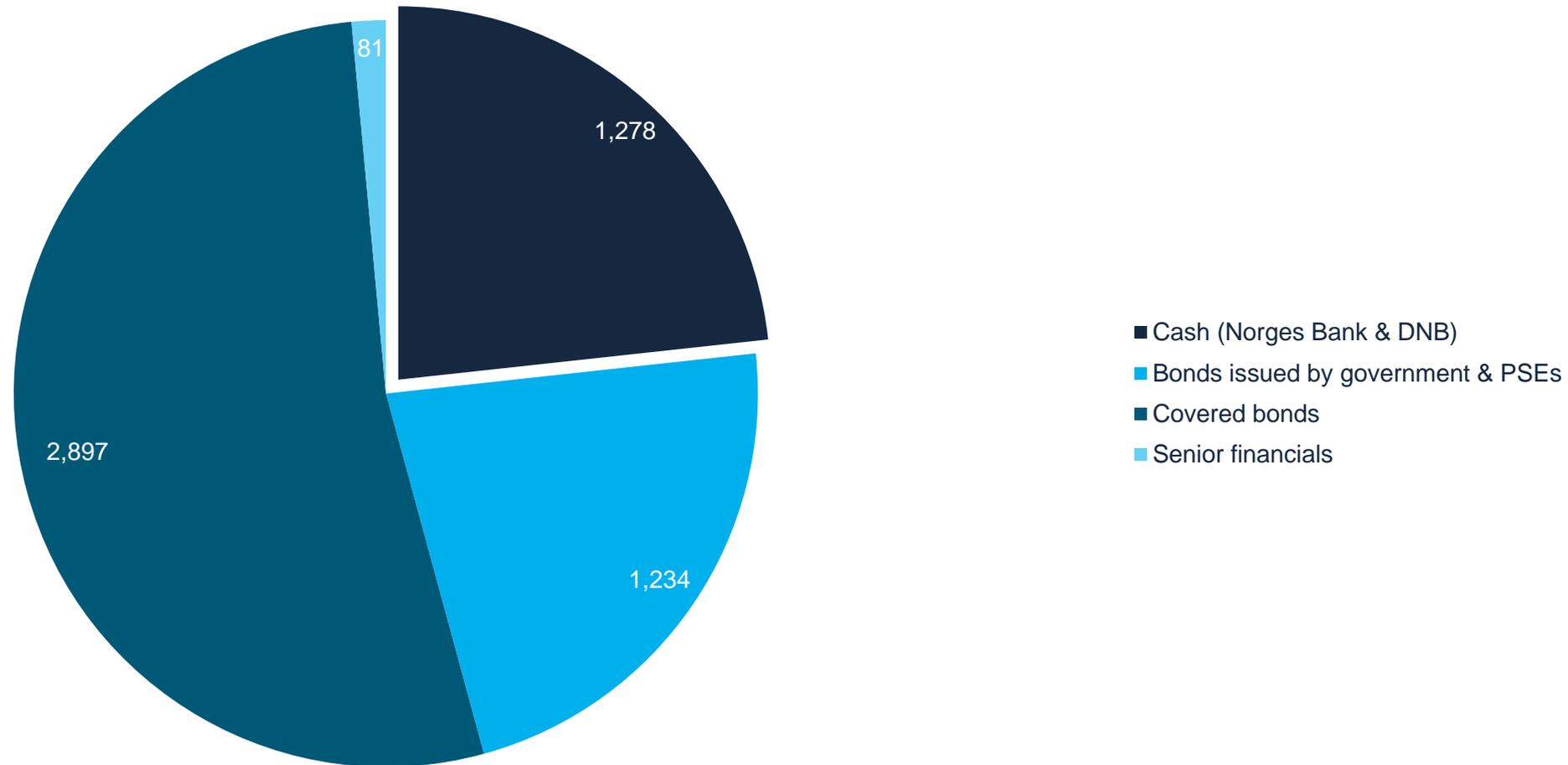
Exposure in Sweden (NOKm)

Total NOK 2,056m



LIQUIDITY BUFFER

Low credit and market risk (NOKm)

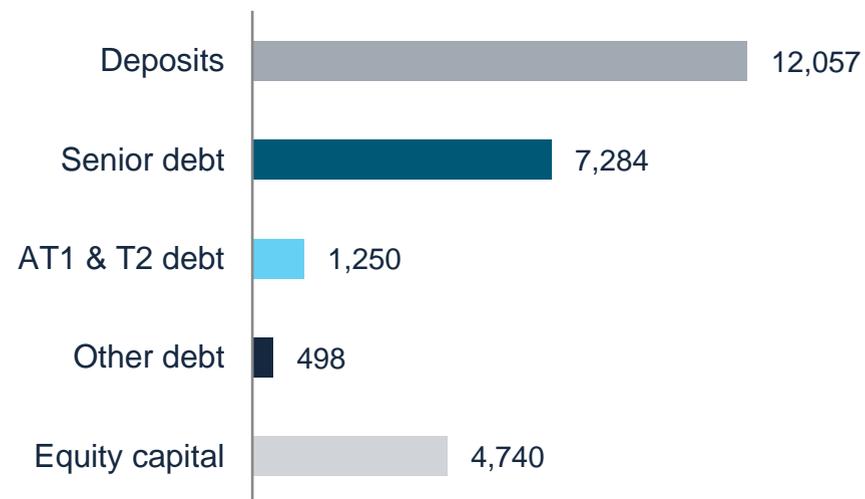


Comments

- Cash on hand.
- Highly liquid bonds.
- Low credit risk.
- No interest rate or foreign exchange risk.
- Access to central bank facilities and repo market.
- Marked to market.
- Assets qualify for LCR portfolio.

FUNDING

Sources (NOKm)

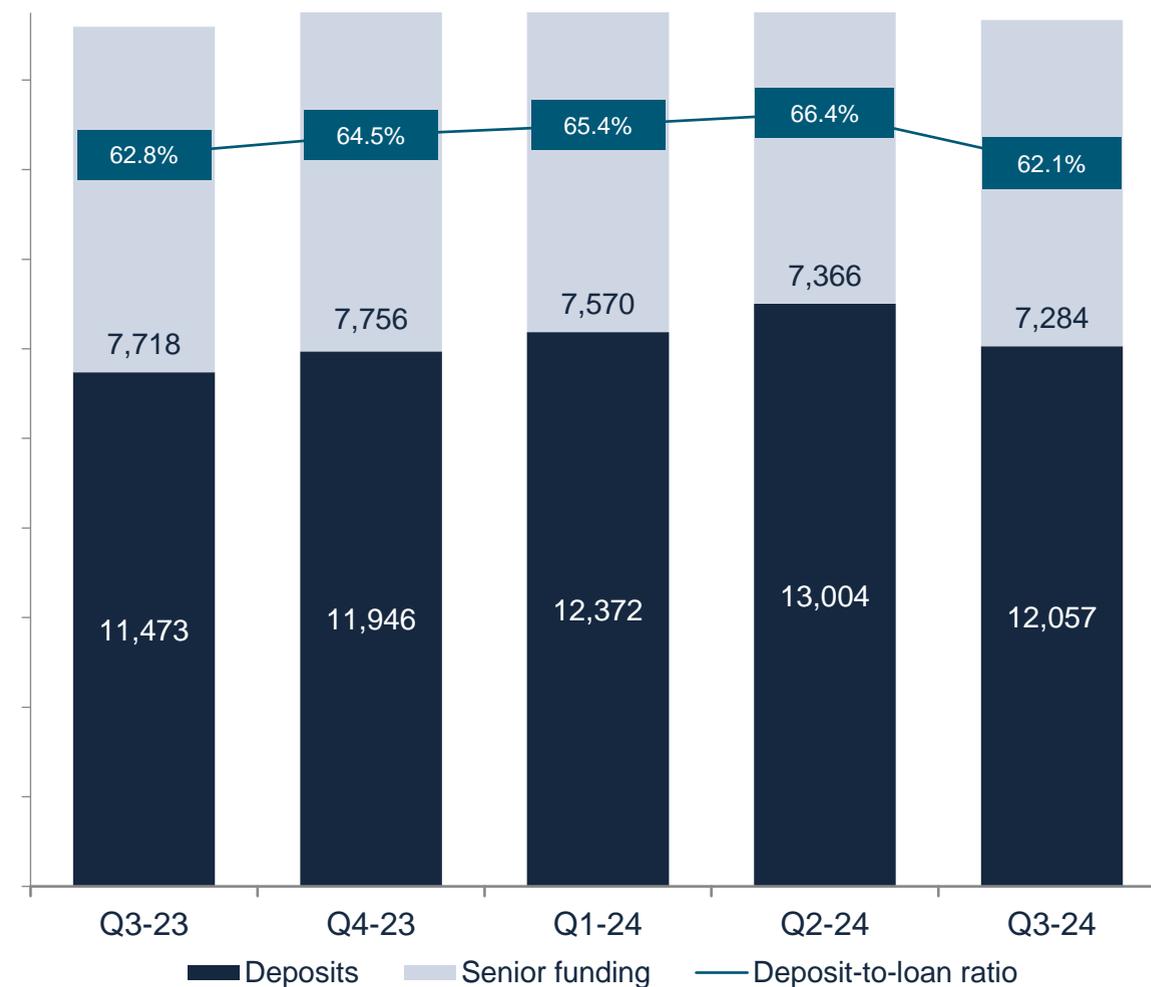


Key funding and liquidity ratios

- Deposits with liquidity restrictions 71%
- Corporate deposits 55%
- Deposit-to-loan ratio 62%
- Liquidity Coverage Ratio 393%
- Net Stable Funding Ratio 132%

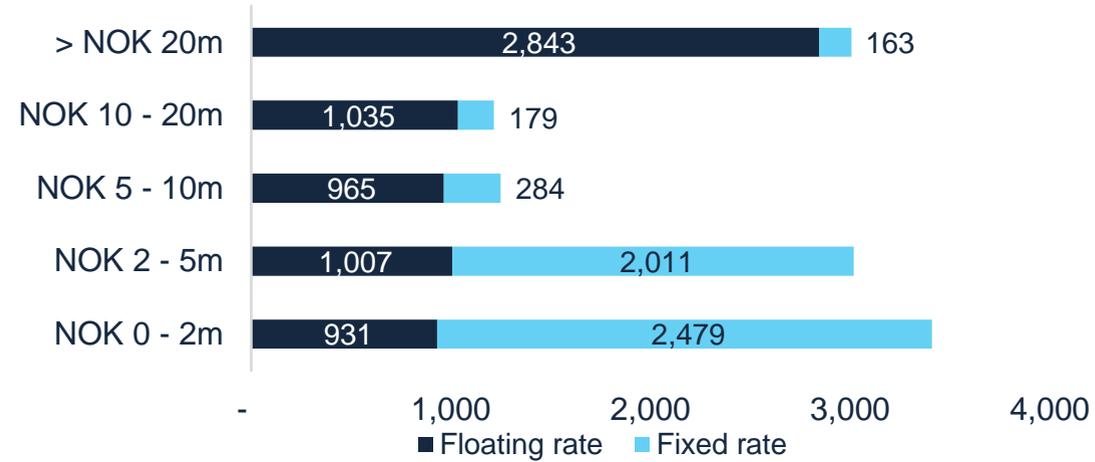
Deposits & senior debt

NOKm,
Percent customer deposits of net lending to customers



CUSTOMER DEPOSITS

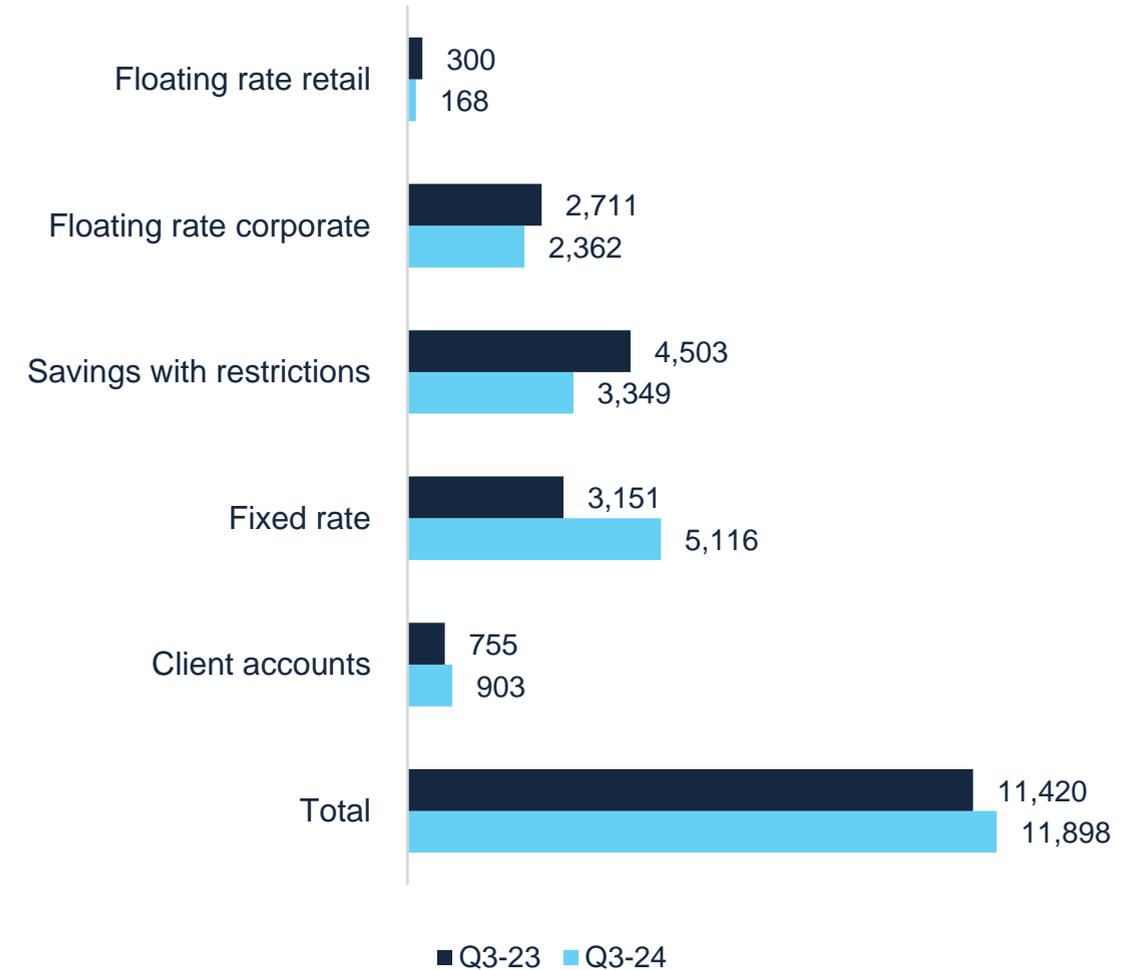
Deposits by size (NOKm)



Deposits by type (NOKm)

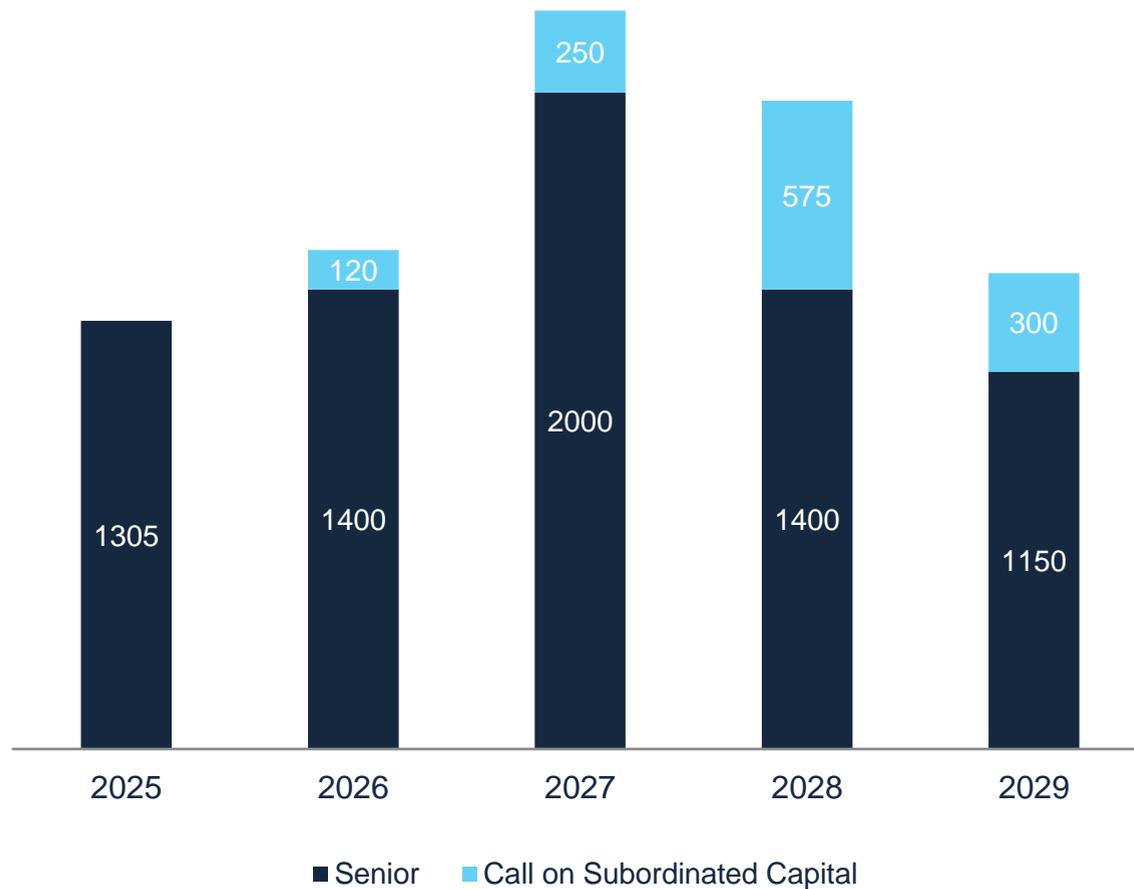


Deposits by product (NOKm)

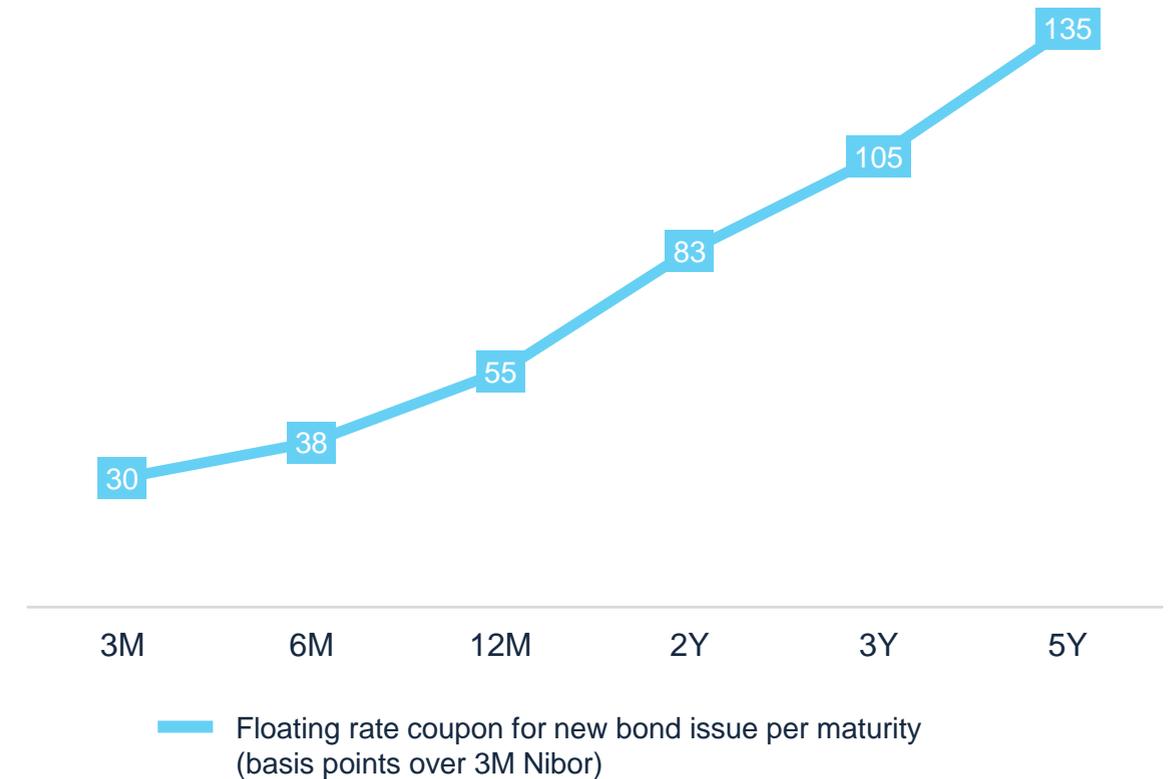


MARKET FUNDING

Market funding maturities (NOKm) *

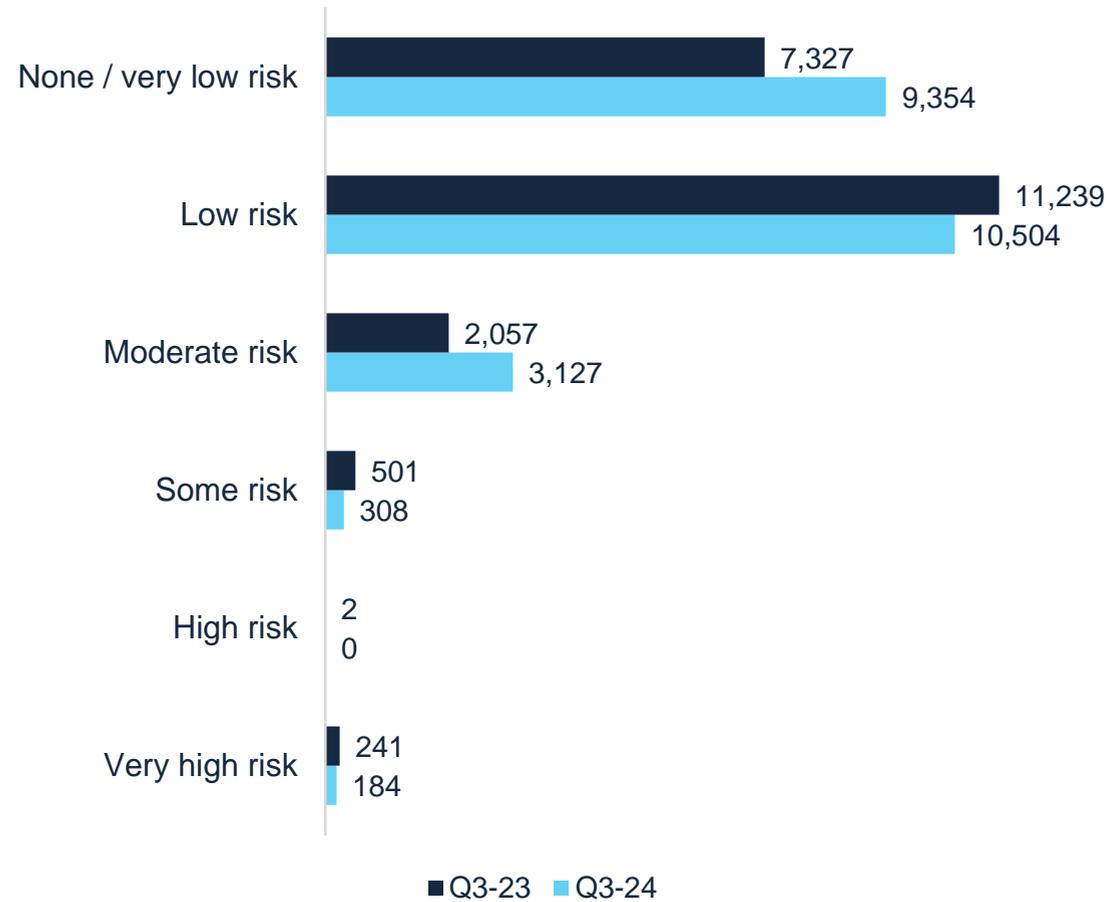


Cost of new market funding

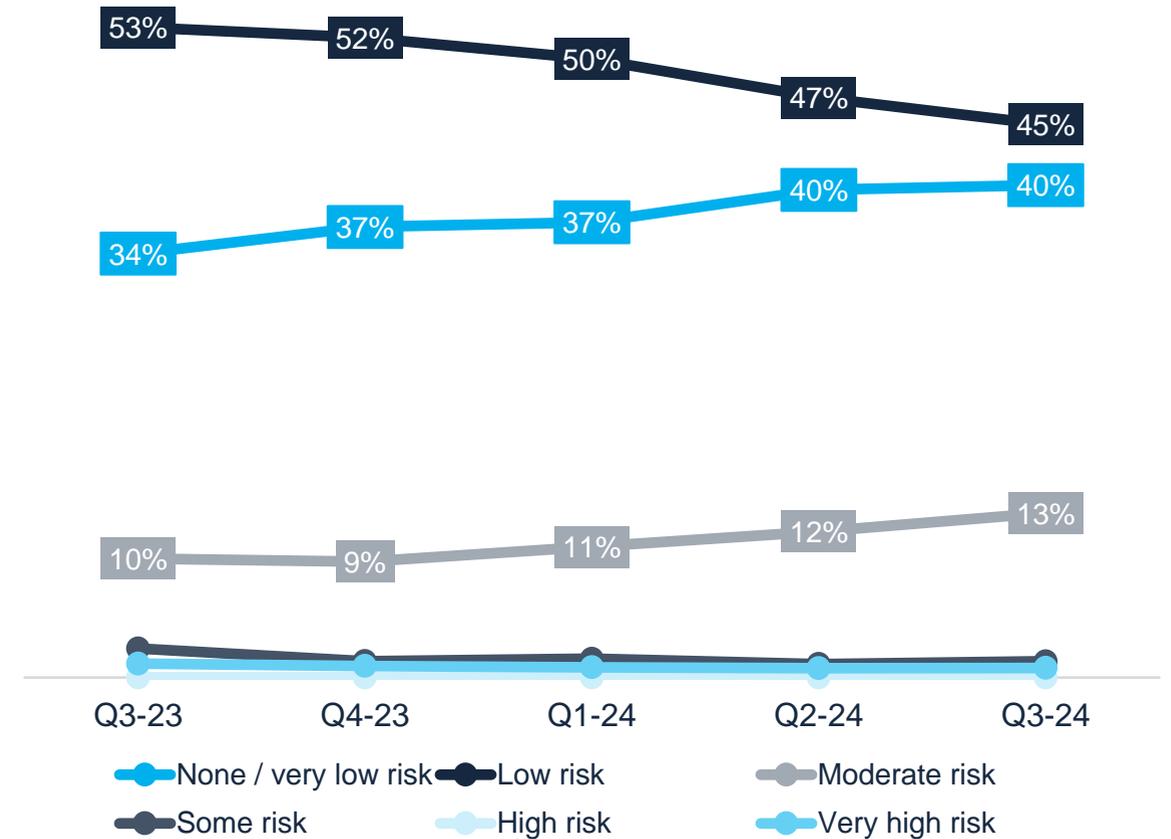


COMMITMENTS BY RISK CLASSIFICATION

Risk classification (NOKm)



Historical risk classification

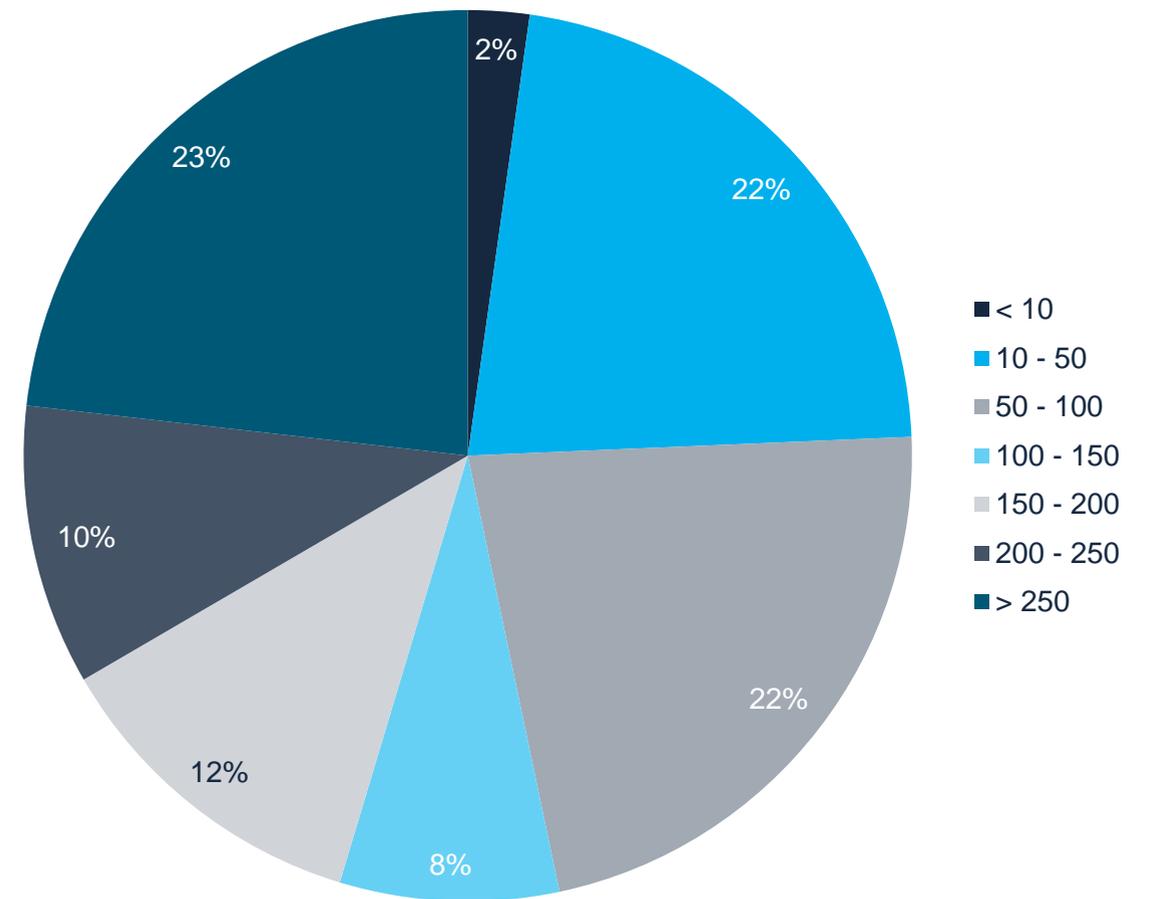


COMMITMENTS BY SIZE

Commitment size per customer (NOKm)



Distribution of commitments by size (NOKm)



 Pareto bank